



## Three-Tier Alcohol Distribution System

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#### Issue

Provide flow charts on Connecticut's three-tier alcohol distribution system, as amended by <u>PA 19-24</u>. (This report updates OLR Report <u>2018-R-0356</u>.)

## Summary

After the repeal of Prohibition, most states (including Connecticut) adopted a three-tier alcohol distribution system, which requires the separation of manufacturers from retailers. Generally, under the three-tier distribution system, manufacturers must sell their products to wholesalers, who in turn sell to retailers, who sell to consumers. But Connecticut, like most states, has exceptions that allow manufacturers to sell directly to consumers under certain conditions (e.g., farm wineries).

In 2019, the legislature made various changes to the system that go into effect on July 1, 2020. Among other things, PA 19-24 (1) limits the manufacturer permit that allowed the production of all alcoholic liquor to just spirits; (2) creates a new wine, cider, and mead manufacturer permit with requirements and abilities substantially similar to a farm winery permittee; and (3) consolidates four manufacturer beer permits into one. By making changes to the manufacturing tier, the act affects the three-tiered system as a whole.

The following are flow charts of Connecticut's three-tier distribution system, beginning July 1, 2020.

Manufacturer Permit for Spirits (CGS § 30-16(a))

May manufacture spirits

Permittees may sell up to three liters to a consumer per day, up to a maximum of five gallons in a twomonth period, from their premises, if they annually produce fewer than 50,000 gallons

Wholesaler Permit (CGS § 30-17)

A manufacturer or out-of-state shipper may appoint one or more additional wholesalers to distribute spirits within its territory

Package Store (CGS § 30-20(a))

May sell all types of alcohol and 16 statutorily specified items (e.g., cigarettes and cigars, lottery tickets, cheese, and alcohol mixers)

Permittees may sell directly to retailers (selfdistribute) if they annually produce 10,000 or fewer gallons of spirits

Consumers

## Manufacturer Permits for Farm Winery or Wine, Cider, and Mead (CGS §§ 30-16(c) & (d))

- Farm winery permittees may manufacture wine
- Wine, cider, and mead permittees may manufacture wine, cider not exceeding 6% alcohol by volume (ABV), apple not exceeding 15% ABV, apple brandy, eau-de-vie, or mead (i.e., fermented honey)

Permittees may self-distribute if they annually produce 100,000 gallons or fewer

### Wholesaler Permit (CGS § 30-17)

A manufacturer or out-of-state shipper may appoint one or more additional wholesalers to distribute product within its territory

### Package Store (CGS § 30-20(a))

May sell all types of alcohol and 16 statutorily specified items (e.g., cigarettes and cigars, lottery tickets, cheese, and alcohol mixers)

#### Consumers

#### Permittees may:

- sell product directly to consumers who visit the premises and ship directly to consumers, provided they comply with labeling and other requirements
- ship up to five gallons in a twomonth period
- sell product on the premises that is manufactured by another instate permittee holding the same permit (e.g., farm wineries may sell wine from another farm winery)

## Manufacturers Permit for Beer (CGS § 30-16(b))

May manufacture beer and must produce at least 5,000 gallons before selling through a wholesaler

Permittees may selfdistribute, but only if they make the beer available to all package and grocery store permittees in the geographical region where they distribute, within reasonable limitations, as determined by DCP

## Wholesaler Permit (CGS § 30-17)

For just and sufficient cause, a manufacturer or out-of-state shipper may appoint one or more additional wholesalers to distribute beer within its territory

Permittees may sell directly to consumers who visit the brewery, up to nine gallons per consumer per day

#### Package Store (CGS § 30-20(a))

May sell all types of alcohol and 16 statutorily specified items (e.g., cigarettes and cigars, lottery tickets, cheese, and alcohol mixers)

# Grocery Store Beer (CGS § 30-20(b))

May only sell beer, and in order to receive a permit, must primarily be in the business of selling groceries

Consumers

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